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ABSTRACT

The amount of state legislation dealing with child care issues has significantly increased in the last 5 years. This report focuses on state strategies for expanding and improving the child care system through incentives and support for employers and providers. State policymakers are exploring partnerships of public and private resources for improving child care, including employer-supported child care. Employers who provide assistance with child care benefit from improved recruitment and retention of employees, and reduced absenteeism. State policymakers can provide incentives to employers; these include: (1) loan programs and grants for developing facilities; (2) corporate tax credits; (3) allocation of space by developers for facilities in new buildings; and (4) social insurance programs. Lawmakers are exploring personnel policies, such as job-protected leave for birth or illness of a child and means of providing information referral and technical assistance. Legislators can provide incentives for providers, including loan programs and grants, training programs, removal of zoning barriers, and subsidized provider salaries. Legislators can also encourage the use of state facilities by private providers. A list of enacted family leave legislation for six states is appended. (BC)

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PUBLIC/PRIVATE PARTNERSHIPS IN CHILD CARE

by

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Staff Associate

Vol. 13, No. 33 October 1988

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PUBLIC/PRIVATE PARTNERSHIPS IN CHILD CARE

INTRODUCTION

Legislators increasingly are concerned with child care issues and are looking for innovative solutions to the child care "crisis." The amount of state legislation dealing with child care issues has significantly increased in the last five years. In 1987, the National Conference of State Legislatures tracked 112 pieces of enacted state child care legislation as compared with 21 in 1984. Legislators are seeking ways to expand the overall supply, improve the quality and reduce the consumer cost of child care services. State policymakers are turning toward public/private partnerships to implement these goals. In most cases such strategies are aimed at one of two groups: employers or child care providers. Examples of public/private policies designed to enhance private sector involvement include loan programs, tax credits, vendor/voucher subsidy programs, and resource and referral systems. This State Legislative Report will focus on strategies to expand and improve the child care system through incentives and support for employers and providers.

The need for child care services results from the growing rate of employment of mothers with young children. In 1987, 57 percent of mothers with children under age three held jobs outside the home compared with only 12 percent in 1950. (1) The U.S. Census Bureau reports that in 1987, for the first time, a majority of mothers were working or actively seeking employment within a year of giving birth. (2) Mothers, whether in a dual-earner or single-parent family, are in the workforce, but there is a lack of adequate child care for their children.

EMPLOYER-SUPPORTED CHILD CARE

Child care is an emerging workplace issue. A recent survey by Lou Harris & Associates demonstrates that the public favors employer involvement in filling the child care needs of employees. Some employers have already entered the child care arena. Polaroid Corporation offers a voucher subsidy program to workers making less than $30,000 a year. Mervyn's Department Store contributed funds to the private non-profit Child Care Partnership of Dallas to start an accreditation program for family day care homes. American Express Corporation has launched a national awareness and community outreach campaign on child care issues.

Employers have several reasons to contribute to child care for their employees. A 1986 personnel survey for AT&T found that 57 percent of women and 33 percent of men reported spending unproductive time at work due to child care concerns. A study by the National Employer Supported Child Care Project in 1982 revealed that of 415 companies providing child care benefits, 65 percent of the respondents reported reduced turnover; 53 percent had reduced absenteeism; and 85 percent experienced a positive effect on recruitment as a result of employer-supported child care programs. (3)

The number of employer-supported programs designed to assist employees in meeting their child care responsibilities is growing. In 1978, there were 100. Today, 3,300 employers offer child care assistance programs, according to the Conference Board, a national clearinghouse for work and family issues in New York City. The Bureau of Labor Statistics reports that employer-supported child care centers are now located in 25,000 public and private sector workplaces having 10 or more employees.

Employers can offer a range of services to expand the child care opportunities of their employees. Among the options are on- and near-site centers, resource and referral services, subsidies for child care expenses, salary reduction plans to offset child care expenses, and

support for community services. State policymakers can provide incentives to employers to provide child care assistance.

Loan Programs and Development Grants. A handful of states have implemented loan programs in order to increase the supply of child care services in the private sector. Maryland's Day Care Loan Guarantee Fund is available to corporations, businesses and individual proprietors to develop or expand child care facilities. Since 1984, 14 loans ranging from $25,000 to $570,000 have been guaranteed through the program. The funded programs serve 954 children and employ 150 people. In one case, a facility created with start-up costs provided by 10 area employers used the loan guarantee program to expand. Another facility was financed by the loan program through the cooperative efforts of an industrial park developer, area employers and parents.

Massachusetts' loan program is specifically designed for the development of employer-sponsored child care facilities. The program is funded by the Massachusetts Industrial Finance Agency, a quasi-public corporation, and offers below-market loans for start-up costs of child care centers. California makes loans available for the financing of child care centers in health care facilities. In the 1987 session, Connecticut expanded eligibility for funds from the Child Care Revolving Loan Fund to include for-profit as well as non-profit corporations.

States can also use grant programs to expand the availability of services in a community. Rhode Island's Human Services Department administers a grant program for the development of licensed child care facilities in industrial parks.

Corporate Tax Incentives. Eight states have implemented corporate tax credits or deductions in an attempt to encourage employers to expand the child care options of their employees. Florida corporations may deduct 100 percent of the start-up costs of an on-site child care facility. Oregon recently created a 50 percent tax credit for corporations that provide or pay for child care services for their employees. Under the plan, employees may choose any licensed child care provider. After paying for the services, corporations are allowed a credit up to $1,250 per full-time employee. Another Oregon tax credit is available to employers who improve real property to be used as a child care facility. Arizona offers tax deductions for the purchase, construction or renovation of child care facilities. These deductions are also applicable to child care equipment costs. Connecticut, Maryland, New Mexico and Pennsylvania also provide child care tax credits to corporations.

Space Allocation. Another policy designed to increase the supply of child care services requires developers to set space aside for child care centers. As a model for other employers, California and Maryland require an allocation of space in new state buildings for child care use. Legislation pending in Massachusetts would establish a child care linkage coalition. The linkage act would require most developers who build or renovate more than 50,000 square feet of space to construct an on- or near-site child care center, or to pay an in-lieu child care fee into a special fund. It would also require the state to include child care facilities in new buildings, wherever feasible. The city of San Francisco has a similar program.

Social Insurance Programs. California's Senate Task Force on Child Care was recently created to study the feasibility of establishing a child care social insurance program. Funded by employer and employee contributions, the program would provide affordable child care for working families. Currently, the task force is exploring a voluntary program in which employers can opt to participate. A pool of funds would be collected by the state and dispersed as vouchers for the child care expenses of employees. The system would operate with a formula similar to the one used in disability and unemployment insurance systems.

Support of Community Services. Rather than providing or subsidizing direct child care services for their employees, employers may support services that benefit the surrounding community as a whole. In Orlando, Florida, employers may contribute to a state resource and referral network that links consumers and day care providers. As a coordinating mechanism, the community agency acts as a broker, administering employer contributions to local child care programs, providing child care referrals, and improving the quality of these programs through parent education. Such a system brings cohesion to the overall child care market and simplifies the employer's role in child care.

Personnel Policies. An increasing number of lawmakers are exploring personnel policies to prompt employers to help meet the child care needs of their employees. Job-protected parental leave policy makes leave available to employees for the birth or adoption of a child or to care for a seriously ill child or family member. During the leave period, continuation of fringe benefits may be at employer or employee expense. Most bills specifically provide for reinstatement of the employee to the same or a comparable position. States vary on the specific number of employees required before employers are subject to the leave provisions. Maine, Minnesota, Oregon, Rhode Island and Wisconsin have passed parental leave legislation. Connecticut has adopted a leave policy covering state employees and has established a task force to study family and workplace issues for both the public and private sectors.

In addressing the issue of child care for sick children, Washington has recently required certain employers to allow employees to use sick leave to care for children who are ill.

Employers have the option of offering federal income reduction plans to their employees. Under such a plan, funds earmarked for child care expenses are withheld from the employee's gross income. Neither payroll nor personal income taxes are paid on the funds withheld, thereby reducing the cost of care to the employee. Kentucky, Massachusetts, Oregon and Texas allow state employees to use the federal plan.

Information Referral and Technical Assistance. Lack of information is a major barrier to increasing private sector involvement in child care. New Hampshire legislators appropriated $5,000 for a 1988 statewide conference on employer-supported child care. Legislation to create state information clearinghouses is growing. Texas authorizes the employment commission to provide technical assistance to employers regarding child care employee benefits. Arkansas launched a public awareness program directed at child care services for special needs children. Washington has created an office of child care resources within the Department of Social and Health Services. The office provides materials to employers and, with the help of Mervyn's Department Stores, plans to sponsor a series of forums around the state to educate employers and parents about employer-supported child care.

SUPPORT FOR CHILD CARE PROVIDERS

Child care providers are growing in number as the demand increases. In 1970, the U.S. Census Bureau counted 395,000 child care workers as compared to 727,000 workers in 1980. An overwhelming percentage of providers--94 percent--are women. However, the average pay for providers in child care centers in 1980 was $3.13 per hour. Many family day care providers may earn even less. Low pay and a high turnover rate contribute to a staffing shortage and the lack of supply of child care services. (4) Some states have addressed the problem by offering incentives to potential providers to enter the marketplace. Loan programs, recruitment programs, training initiatives, resource and referral systems, and subsidies of provider salaries can increase the number of providers in the child care system.

Loan Programs and Development Grants. Like the loan programs aimed at employer-supported child care services, loan programs for child care providers can increase the supply and improve the quality of services. Maryland's Day Care Loan Guarantee Fund,

as mentioned above, is also available to individual proprietors to develop or expand child care facilities. Massachusetts' Day Care Partnership Initiative includes a grant program funded by New England Telephone. Grants are available to non-profit child care centers for capital improvements and equipment expenses.

Recruitment and Development of Child Care Providers. Child care providers are key to the supply and quality of services to children and their families. In order to increase the supply and improve the quality of services, policymakers are looking for ways to encourage and support providers in the child care marketplace. For instance, New York appropriated $12 million for grants to retain and recruit day care workers in 1988.

The California Child Care Initiative is funded by a private/public partnership of 33 entities, including the State of California and the Bank of America. The program recruits and trains family day care providers and has generated 1,200 new licensed providers who serve approximately 6,000 children. The initiative funds existing non-profit community-based child care resource and referral agencies to conduct a five-stage child care supply-building process. The agencies identify shortages of care in specific areas, recruit potential providers, train individuals in quality care delivery and small business management, provide technical assistance in meeting licensing requirements, and offer ongoing support to help providers stay in business.

Training. Many states provide training to private child care providers through their licensing and regulation requirements. The goal of these programs is to protect the health and safety of the children and to improve he quality of services. Some states have expanded this role to include a broader support of child care providers. Arkansas recently created the Child Care Providers' Training Committee. The committee purchases materials for loan to providers' staff training sessions. One million dollars has been appropriated for the training and education of day care workers.

Zoning Regulations. States can increase the supply of child care services by removing zoning barriers for some providers. A few states have revised zoning ordinances to allow family day care providers to operate in residential areas. Massachusetts legislators recently declared the use of a residence as a licensed family day care home to be allowed under all local zoning laws. In order to ban child care homes from a neighborhood, a city or town must expressly prohibit the use of a residence for family day care. Connecticut has restricted municipal zoning commissions from prohibiting the operation of group or family day care homes in residential areas.

Subsidizing Provider Salaries. Massachusetts appropriated $16 million over a two-year period in 1985 and 1986 to raise the salaries of child care workers in state subsidized programs. Salaries increased by 32 percent to bring the average salary up to $16,600 in fiscal year 1987. New York appropriated $12 million in 1988 for day care workers' salaries in order to retain and recruit qualified staff.

Public/Private Cooperation in the Schools. States can increase the availability of child care by allowing child care providers to use public school facilities. In New Jersey, the Department of Human Services administers a grant program to assist local school boards, public agencies, and non-profit organizations to offer school-age child care services. Connecticut has a grant program available to municipalities for school-age child care programs run by private entities in school facilities.

Washington authorizes schools to contract with public or private entities to provide child care at school sites or elsewhere. Wisconsin allows school districts to provide before- and after-school care directly or to contract with non-profit and for-profit organizations to offer such services. Similar programs are found in California, Florida, Massachusetts and

Nebraska. A few states, including Connecticut and Massachusetts, allow school districts to transport children from school to private day care providers.

Use of State Facilities. Twelve states allow private providers to use state facilities to conduct child care programs: Arizona, Florida, Illinois, Iowa, Maryland, New Jersey, New York, Ohio, Pennsylvania, Utah, Washington and Wisconsin. Of those states, some require that state employees be given preference when filling vacancies. Some states allow this space to be used at little or no cost. Eighteen states have on- or near-site child care centers for their employees. Eight other states are either planning or studying similar programs.

Resources and Referral Systems. At the simplest level, resource and referral systems are coordinating mechanisms that match consumers with service providers. When private providers are involved, the systems operate to market private sector services. In the 1987 legislative session alone, at least five states passed resource and referral legislation for a total of 15 states providing resource and referral services. With broader policy objectives, resource and referral systems can also increase and improve available child care services.

The California Child Care Initiative mentioned earlier also funds the California Child Care Resource and Referral Network, a non-profit organization for California's state-funded resource and referral system. The Network provides training and technical assistance to the local resource and referral systems to provide training to area child care providers.

New York passed resource and referral legislation in 1987. The new program enables the Commissioner of Social Services to seek new and innovative public/private partnership funding of child care services and to arrange for technical assistance from employers, private businesses, community organizations and others to help support and develop resource and referral services.

CONCLUSION

State policymakers are exploring partnerships of public and private resources as a means of improving the state of child care. Child care is essential for working families in today's economy. Quality child care enables families to be self-sufficient without jeopardizing healthy child development. When employers provide child care assistance, they benefit from improved recruitment and retention of employees, reduced absenteeism and increased productivity. Policies aimed at increasing the supply of services, improving the quality and making services more affordable to families are catching the political limelight.

State legislators are in a good position to mobilize employers, private child care providers and parents to work together to maximize existing resources. Employers can be encouraged to provide child care with tax credits and deductions, mandated personnel policies and loan programs. Private providers can be encouraged to expand and improve the supply of services with loan guarantee and revolving loan programs, training and education programs, and technical assistance on small business management. Developers can be urged to contribute with strict zoning and space allocation policies. The key for policymakers is to determine which incentives work best in their states.

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Enacted State Legislation Requiring Unpaid Job-Protected Family Leave

	Weeks	Purposes	Employers Covered	Other Provisions
CT	24	birth, adoption, medical disability, ill child/spouse/ parent	public sector employees	state provides continuous health coverage; task force on private sector created
ME	8	birth, adoption, ill child/spouse/ parent	21 or more employees	health insurance coverage continued at employee expense
MN	6	birth, adoption (mothers and fathers can use concurrently)	21+	health insurance coverage continued at employee expense
OR	12	birth, adoption	25+	exempts employers who offer "cafeteria" benefit plan with parental leave option; health insurance covered by employee
RI	13	birth, adoption, ill child	private sector, 50+ employees; public sector, 30+	employer must reimburse workers for fringe benefits paid during leave
WI	6	birth, adoption, ill family member	50+	employer pays health benefits; employee pays for leave coverage in a refundable escrow account

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Project Areas

Child Care/Early Childhood Education. Funded by the Carnegie Corporation of New York, the project facilitates coordinated policymaking between legislators who work on child care issues in human services committees and those who work on education issues in education committees. The project assists state legislators in developing coordinated programs to meet child care and early education needs. Technical assistance is a major project commitment, including: planning and strategizing meetings with legislators, legislative staff, and professionals in the public and private sector; on-site delivery of assistance through hearings, briefings, workshops, or seminars; and evaluation meetings.

Child Support Enforcement. With the growing number of single-parent families, state and federal laws protecting these families' rights in establishment of paternity, child support orders, and enforcement of support are important public policy considerations. The project, under contract with the federal Office of Child Support Enforcement, assists lawmakers in developing child support public policy, including: program analysis, assistance in interpreting and drafting laws per federal compliance issues; and assessing inter- and intrastate child support enforcement, and paternity establishment legislation.

Child Welfare. Through a grant from the Edna McConnell Clark Foundation, the Child Welfare Project assists state legislators in improving state child welfare systems. State child welfare systems are the primary means by which states meet the needs of abused and neglected children. Foster care or out-of-home placement is the most expensive form of child welfare service and the most traumatic for the child. With the recent explosion of abuse and neglect reports, state child welfare systems are experiencing enormous stress. Consequently, many states are exploring service alternatives. Services to prevent out-of-home care, to reunify families, and to provide adoption and other placement alternatives have become major components of the child welfare system. Technical assistance is available to legislators in a variety of areas to improve services, to assist states in complying with the federal Adoption Assistance and Child Welfare Act (P.L. 96-272), and to evaluate administration and financing mechanisms.

Teen Pregnancy. The Teenage Pregnancy Project, funded by the Ford Foundation, provides state legislators and legislative staff with information and resources from state experience related to teenage pregnancy and parenting. Major project activities are to provide on-site technical assistance to three states each year, produce three publications annually, operate an information clearinghouse, participate in a national advisory committee, and contribute to the NCSL Annual Meeting.

For more information, call or write Shelley Smith, Program Manager, Children, Youth, and Families Program, National Conference of State Legislatures, 1050 Seventeenth Street, Suite 2100, Denver, Colorado 80265, (303) 623-7800

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